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## **Secondary Market flow**

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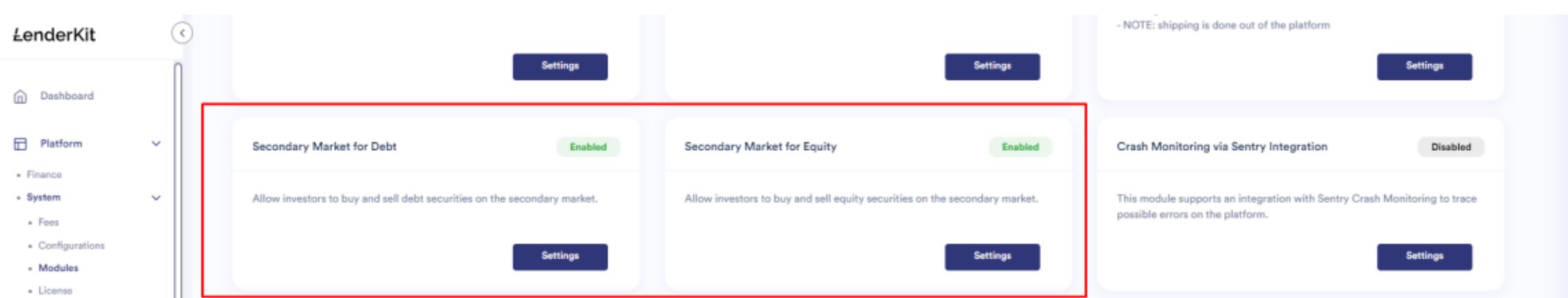
## Intro

The secondary market (or SM) is where investors buy and sell securities they already own, i.e. the platform with enabled SM modules provides Investors with more liquidity. Investors can trade shares on the market and use obtained funds to invest in other assets or withdraw.

## Location

To offer this capability to your investors, you must first enable the corresponding modules. Navigate to "**Platform > System > Modules**". Locate "**Secondary Market for Debt**" and "**Secondary Market for Equity**" then activate the one you require or both if necessary. It's worth noting that each capital type has its own module, and the setup process is quite similar. However, there's one key difference: Equity investments can be sold partially (e.g., 1 share out of 5), whereas Debt investments can only be sold in full; they cannot be divided.

To grant Investors access to Secondary Market deals, ensure you've included the Secondary Market link in the Portal header menu via the relevant section in the Back Office.



*Back Office: SM modules are enabled*

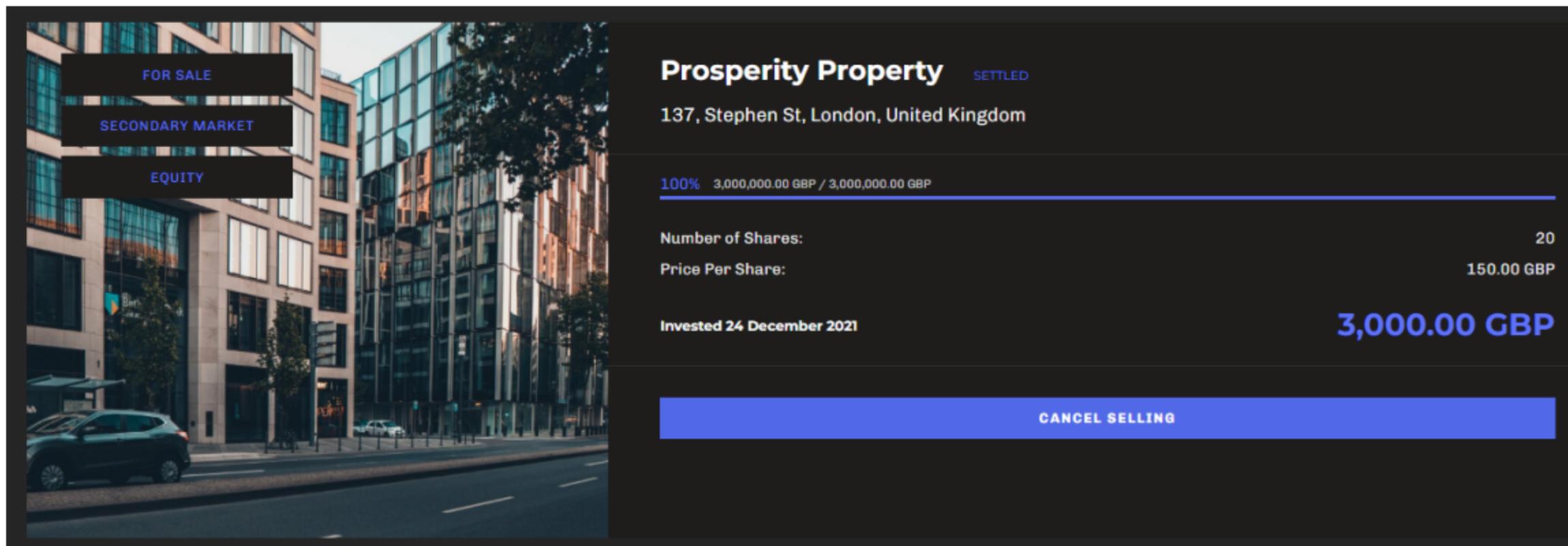
## General information

**Only investors** can **own** and, consequently, **sell** their **investments** or **purchase** others'. These transactions are referred to as "Deals." Back Office admins act as intermediaries in this process, approving the Deals between the Seller and Buyer. Additionally, admins have the authority to place an investment in the Secondary Market on behalf of an investor. To sell investments, either the Investor (Seller) or an Admin must initiate the corresponding **Application**, which will be explained in more detail in the subsequent chapters.

An "**Application**" serves as a representation of an offer from an Investor (Seller) who intends to sell their Investment. These Applications are displayed in the Secondary Market section, where other Investors (Buyers) have the opportunity to purchase them. It's important to note that each Investment can have only one active Application, making it available for purchase by a single Buyer exclusively.

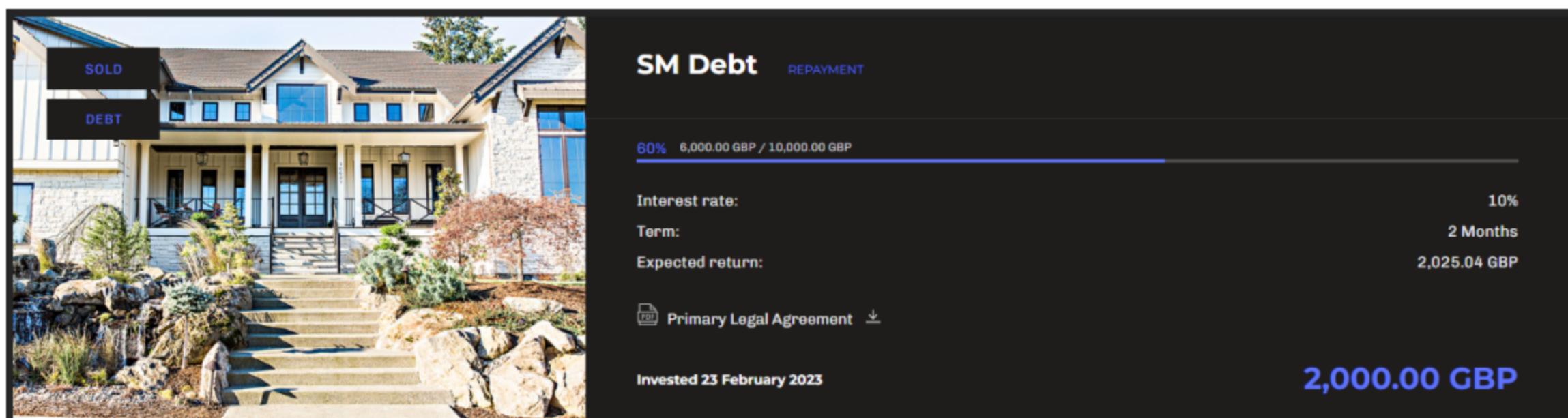
It's worth mentioning that the Seller (or an Admin acting on their behalf) has the liberty to set **any price they desire** for the Secondary Market.

Each Application contains vital information about the offering and the investments being sold, ensuring that potential Buyers can fully assess its value. This information includes details such as the term, expected returns, interest rates, dividends paid and to be paid, and other crucial metrics.



*Portal: Investment in the "For sale" status*

The "**For sale**" status indicates that the Application has been created and added to the Secondary Market. The Seller or Admin has the option to manually cancel this application, causing the Investment to be removed from the list of Secondary Market offerings.



*Portal: Investment in the status "Sold"*

On the other hand, the "**Sold**" status signifies that the Application has been successfully sold to a Buyer. This means that the Buyer has paid the selling price to the Seller. In other words, the transaction amount, representing the selling price, has been transferred from the Buyer's Wallet to the Seller's (if

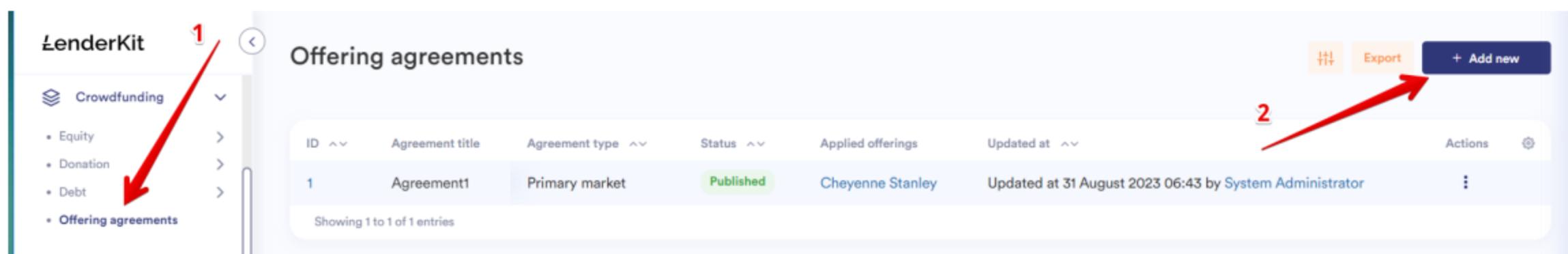
Wallet funding mode is used). Alternatively, in the case of Direct funding mode, if an offline bank transaction has occurred and been verified by an Admin, the status of the transaction will be updated accordingly.

To delve into the detailed steps for initiating sale or purchase actions on the Secondary Market, let's proceed below.

## Assign an agreement

Before commencing any trading activities, it's essential to attach a Secondary Market agreement to an Offering that includes the investments or shares you intend to trade. This agreement serves as a crucial step in ensuring the integrity and legality of the trade transactions.

Navigate to the "**Crowdfunding > Offering Agreements**" tab. Here, you'll find a list of existing agreements. To add a new agreement, click on the "Add New" button. Enter the title and choose the type of agreement for Secondary market.



*Back Office: Offering agreements - Add new*

The screenshot shows a list of existing offering agreements on the left and a modal for creating a new one on the right. The modal has a dropdown menu for 'Type\*' where 'Primary market' is selected.

ID	Agreement title	Agreement type	Status	Applied offer
2	test	Secondary market	Published	9
1	test	Primary market	Published	16

Showing 1 to 2 of 2 entries

**Title\***

**Offering agreement 1**

Type\*

Please select value

Primary market

Secondary market

### Back Office: Offering agreements - Create offering agreement

Once you've clicked on the "**Create agreement**" button within the same sidebar form, you'll be taken to the Offering agreement details section. Here, you should input the agreement's text and update its status to "**Published**" to make it available for selection during the offering creation process.

The screenshot shows the edit screen for an offering agreement. The 'Basic agreement info' tab is active, showing language settings (English Default, German Active, Arabic Active) and a title field containing 'test'. The 'Controls' tab is also visible, showing the status set to 'Published' with an 'Edit' button. Red arrows highlight the language selection and the published status.

Published

Actual

Offering Agreement

Updated at 10 July 2023 11:04 by System Administrator

Basic agreement info

Basic agreement info Notes Document system log

Controls

Status\*

Published

Available shortcuts

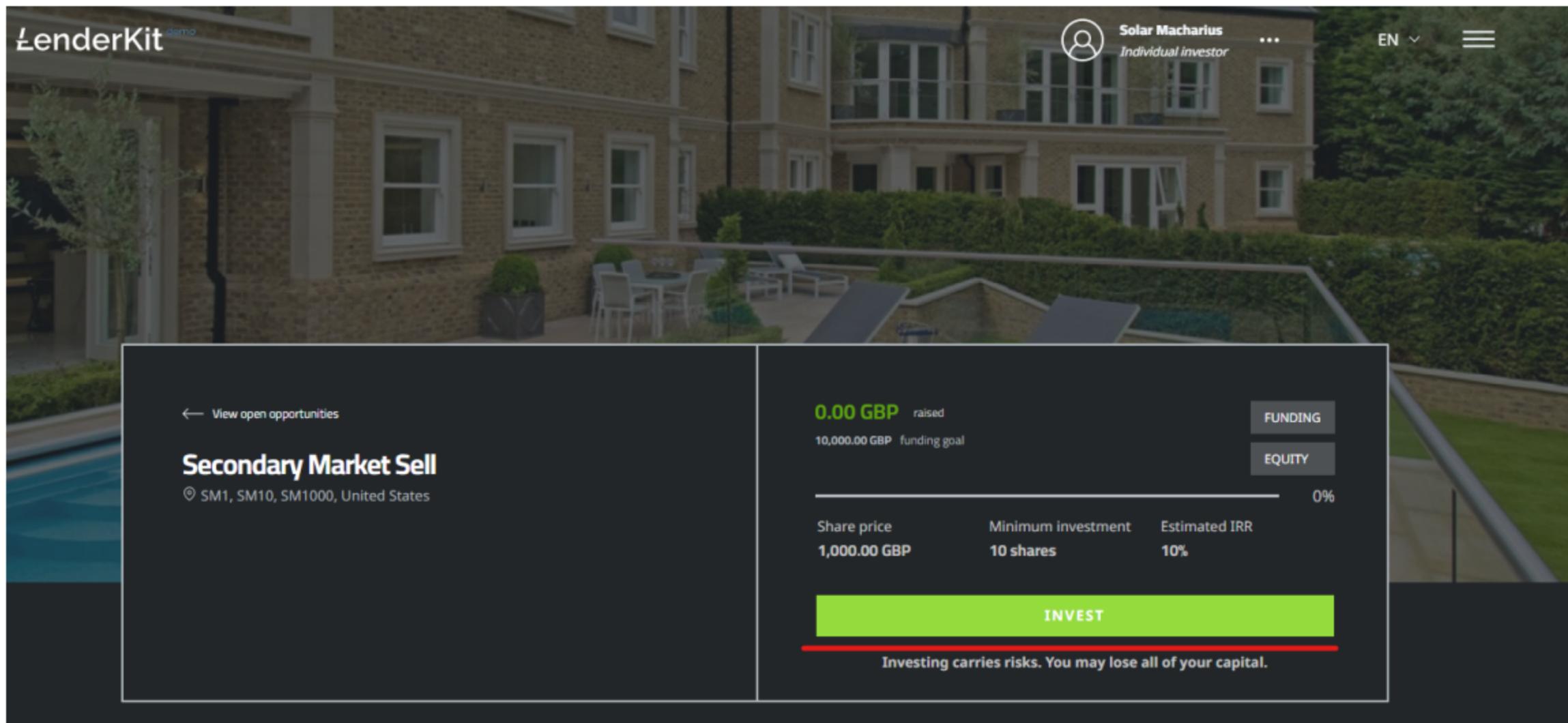
- #OFFERING\_NAME#
- #INVESTMENT\_TYPE#
- #INTEREST\_RATE#
- #OFFERING\_PRICE\_PER\_SHARE#
- #TITLE#
- #FIRST\_NAME#
- #LAST\_NAME#
- #PHONE#

### Back Office: Offering agreement - Edit offering agreement

## Sell investment from Portal

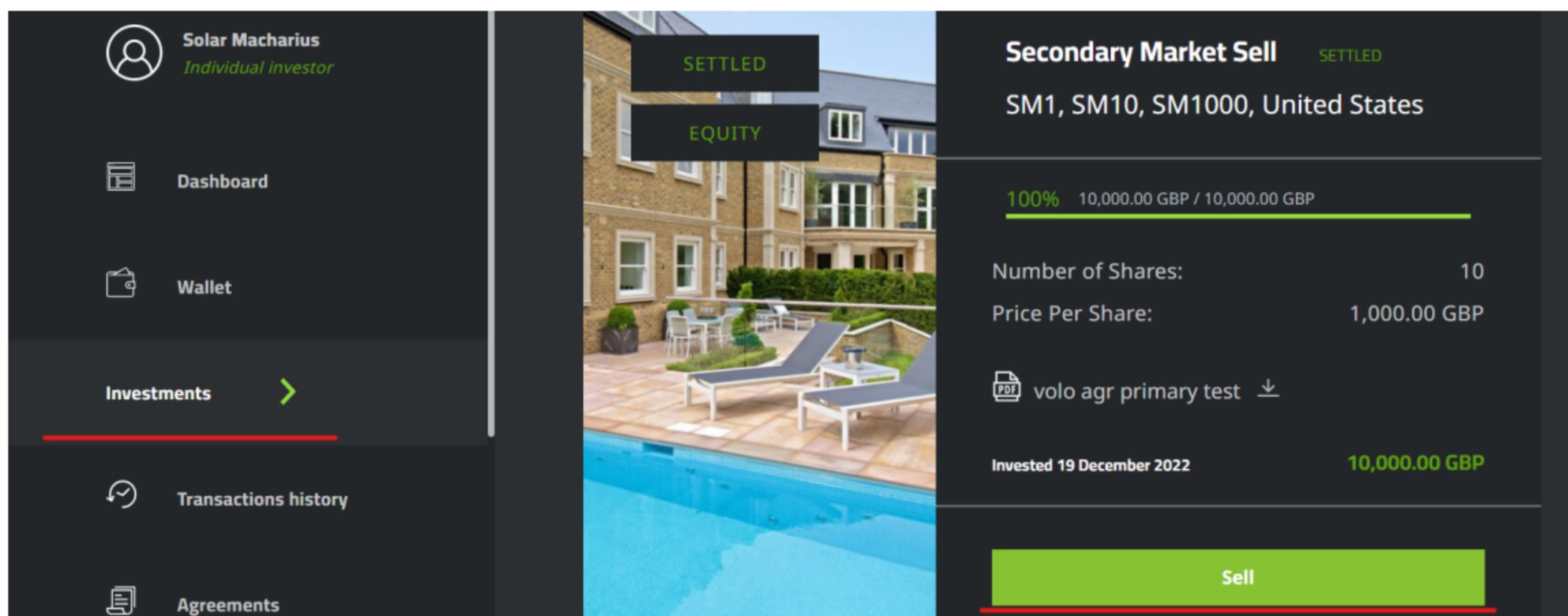
First, you need to have an active Investment that you want to sell using the Secondary Market. Here's a step-by-step guide:

1. Find an **Offering** that interests you with the "**Funding**" status and **make an investment**.



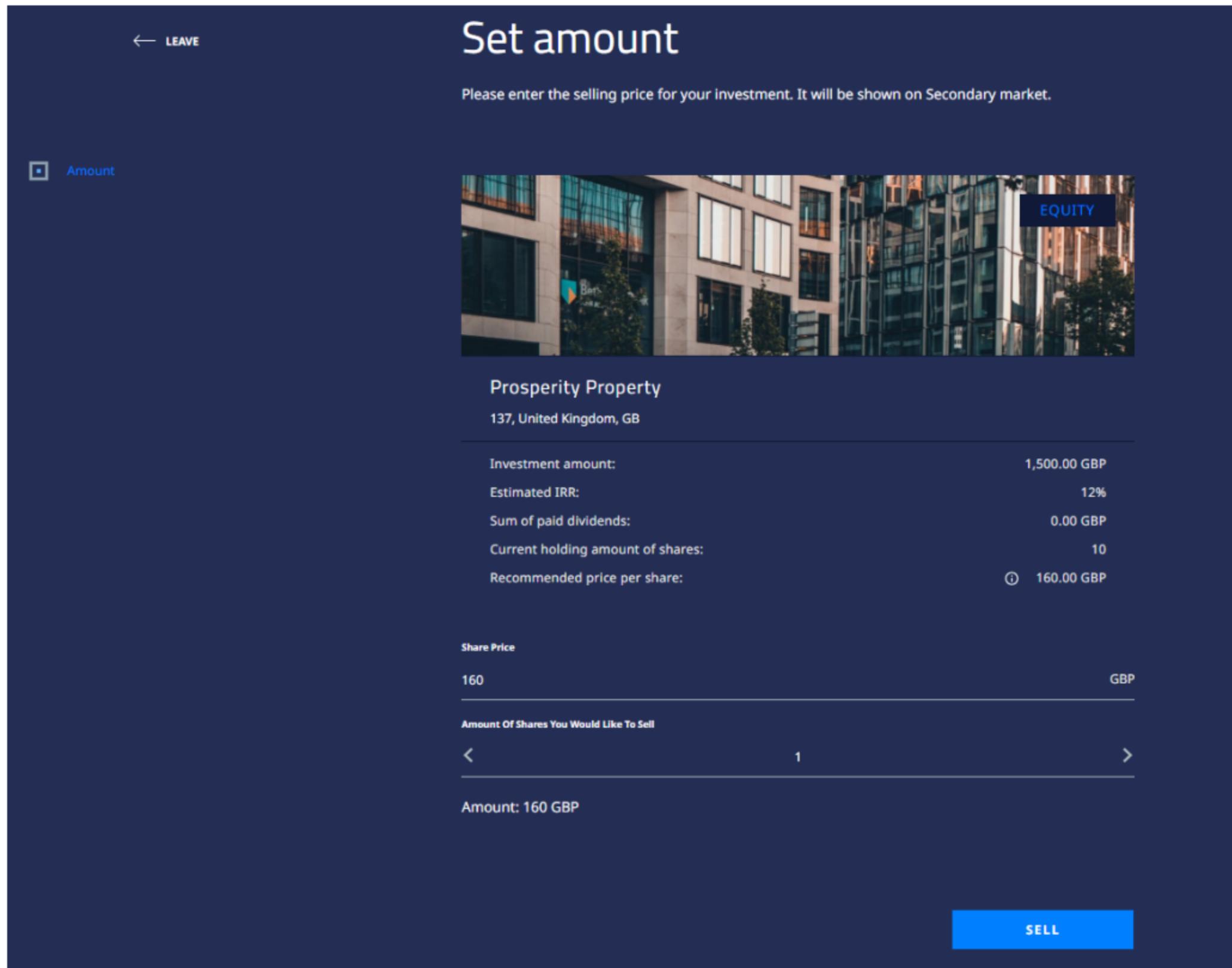
*Portal: Invest in the Offering*

2. Once you've invested (and after the **investment** has been **settled**), go to the main menu, select the "**Investments**" tab. You will see your investment listed with a "**Sell**" button below it. Click the "Sell" button.



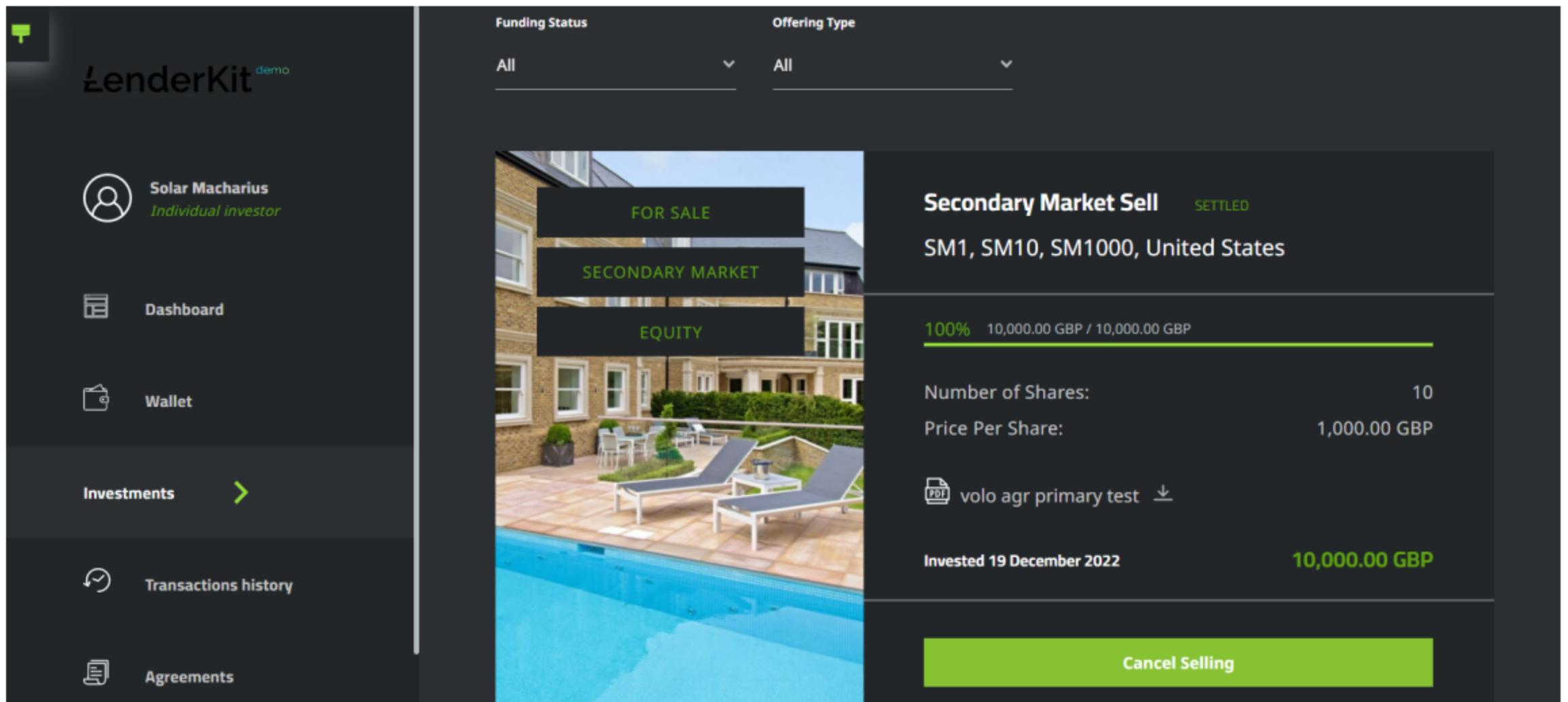
*Portal: Settled investment that can be sold*

3. On the next page (for creating the Application), please **fill in** your data. For Equity, enter the **price per share** and the **number of shares** you want to sell. For Debt, enter the **price per investment**. Then, click the "**Sell**" button again, and you'll see a successful confirmation popup.



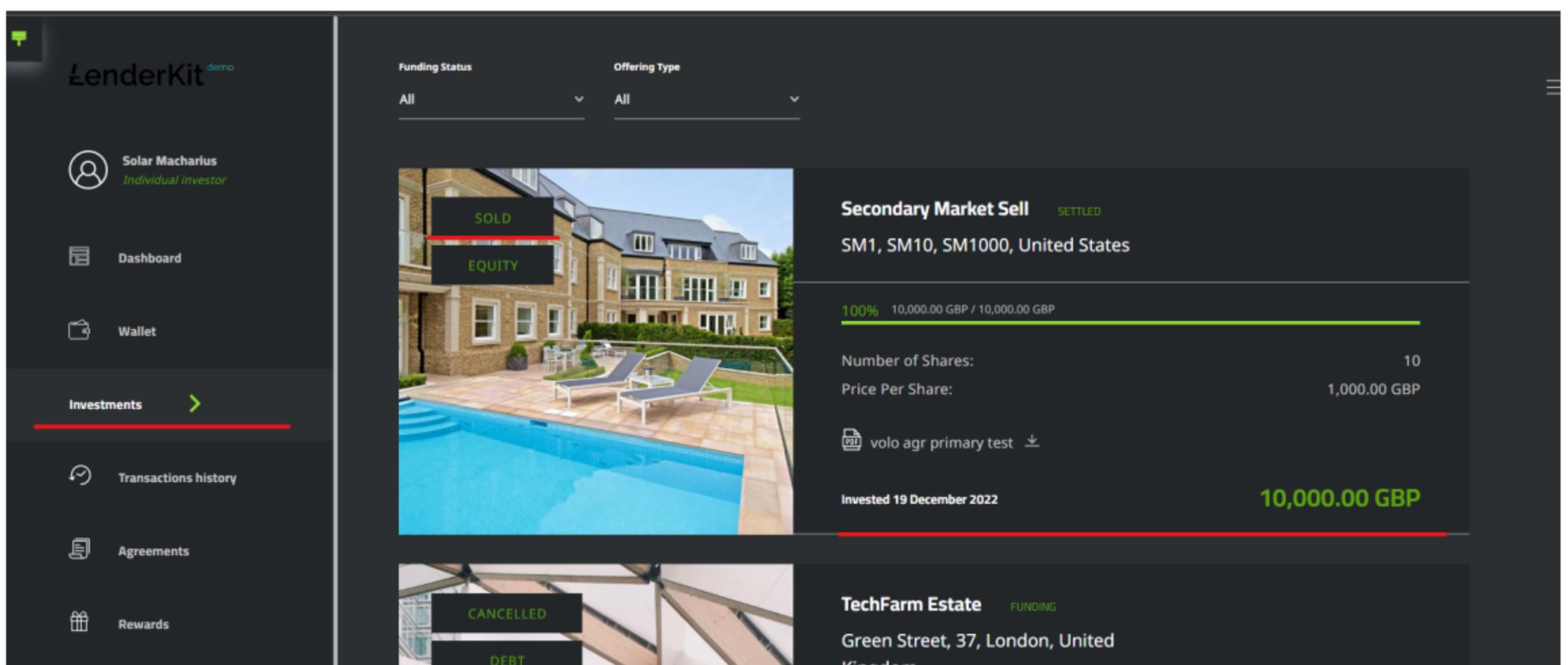
*Portal: Creating the Application to sell the investment*

4. You **can cancel** your **sale** at any time as long as it's in the "**For sale**" status, which means nobody has decided to purchase it yet. To cancel, go to the "**Investments**" section and click the "**Cancel Selling**" button for the specific Investment.



*Portal: cancel the selling of your investment*

- When someone successfully buys your sale proposal, you'll see the status change from "For sale" to "**Sold.**" This change occurs after the transaction is approved by the Admin or processed by the third-party payment provider.

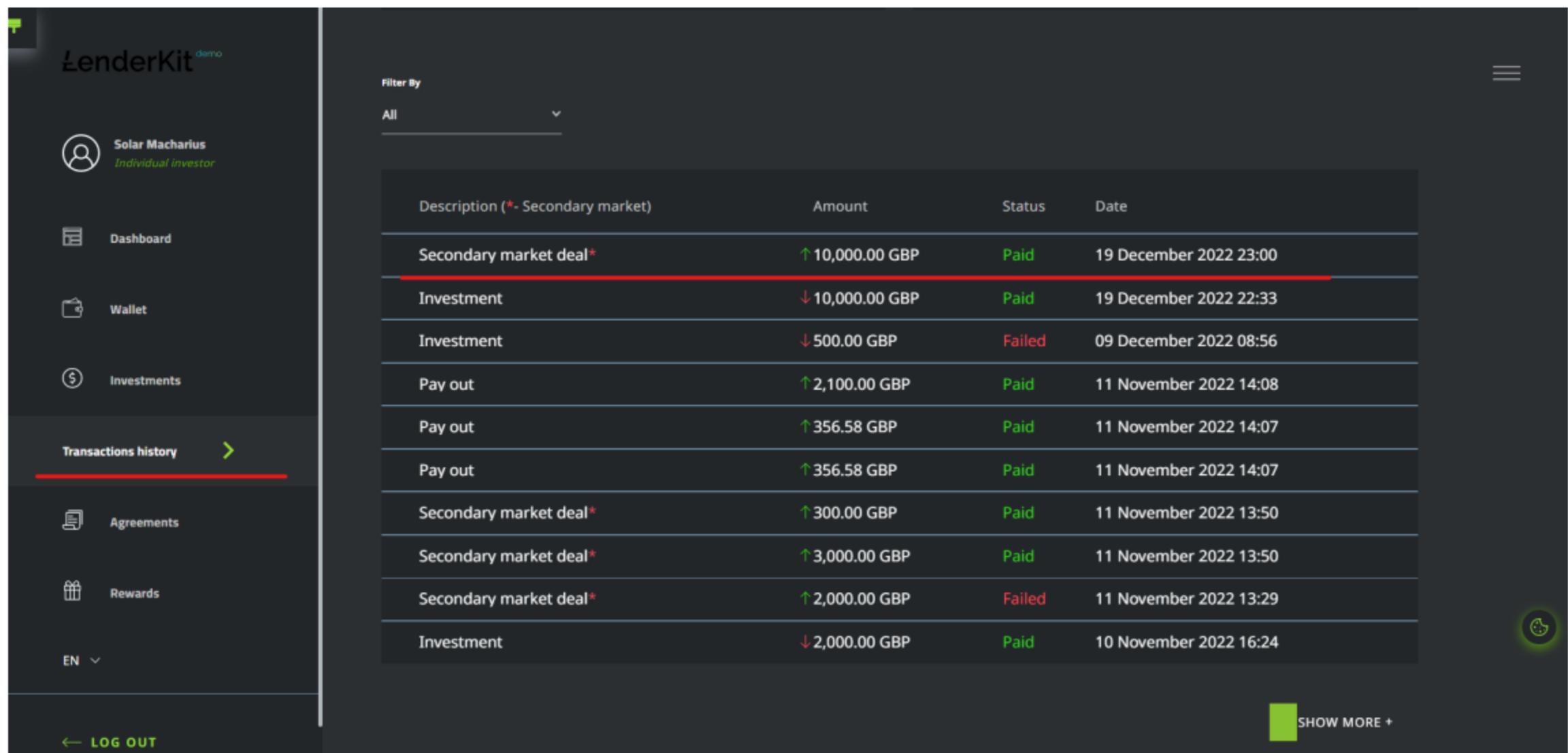


*Portal: an investment was sold on the SM*

6. If Wallet funding mode is enabled, the seller's wallet will be automatically updated when the funds are successfully paid by the Buyer (Admin will need to process the transaction). If Direct funding mode is enabled, the money will be transferred via a bank (outside of the platform), and Admin will manually process the transaction.

Note: For Debt Investments, the system will automatically mark the Seller's "Pending" payouts as "Cancelled" and create "Pending" payouts for the Buyer.

7. Go to "**Transaction history**" to observe the Description, Amount, Status, and Date of the transaction.



The screenshot shows the LenderKit portal interface. On the left is a sidebar with user information ("Solar Macharius Individual investor"), navigation links (Dashboard, Wallet, Investments, Transactions history, Agreements, Rewards), language selection ("EN"), and a log out button. The main content area is titled "Transactions history". It features a "Filter By" dropdown set to "All". A table lists various transactions with columns for Description, Amount, Status, and Date. The table includes rows for "Secondary market deal\*", "Investment", "Investment", "Pay out", "Pay out", "Pay out", "Secondary market deal\*", "Secondary market deal\*", "Secondary market deal\*", and "Investment". The "Investment" row on December 19th is marked as "Failed". A "SHOW MORE +" button is at the bottom right of the table.

Description (*- Secondary market)	Amount	Status	Date
Secondary market deal*	↑ 10,000.00 GBP	Paid	19 December 2022 23:00
Investment	↓ 10,000.00 GBP	Paid	19 December 2022 22:33
Investment	↓ 500.00 GBP	Failed	09 December 2022 08:56
Pay out	↑ 2,100.00 GBP	Paid	11 November 2022 14:08
Pay out	↑ 356.58 GBP	Paid	11 November 2022 14:07
Pay out	↑ 356.58 GBP	Paid	11 November 2022 14:07
Secondary market deal*	↑ 300.00 GBP	Paid	11 November 2022 13:50
Secondary market deal*	↑ 3,000.00 GBP	Paid	11 November 2022 13:50
Secondary market deal*	↑ 2,000.00 GBP	Failed	11 November 2022 13:29
Investment	↓ 2,000.00 GBP	Paid	10 November 2022 16:24

*Portal: Transaction history*

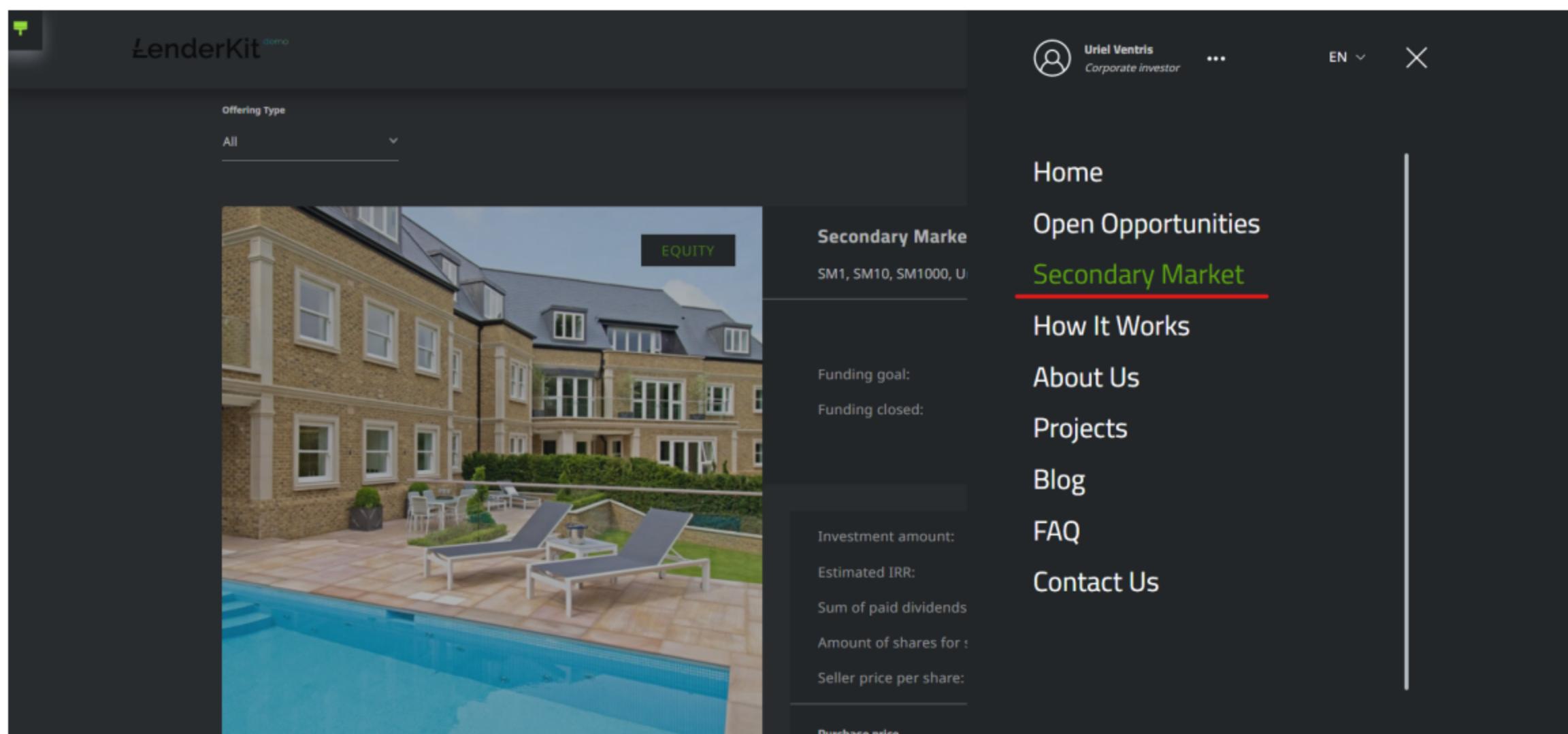
However, if the purchase is not successful and the **transaction** status is "**Failed**," the investment will disappear from the Secondary Market list, and the **Seller** will **need to place it again** on the Secondary Market.

**NOTE:** If the Seller **received a payout** for the share or investment they were selling on the Secondary Market, this **sale will disappear** from the list, and the **Seller will need to create the deal again**. In this case, the recommended price will be updated to reflect the paid dividends.

## Purchase investment from Portal

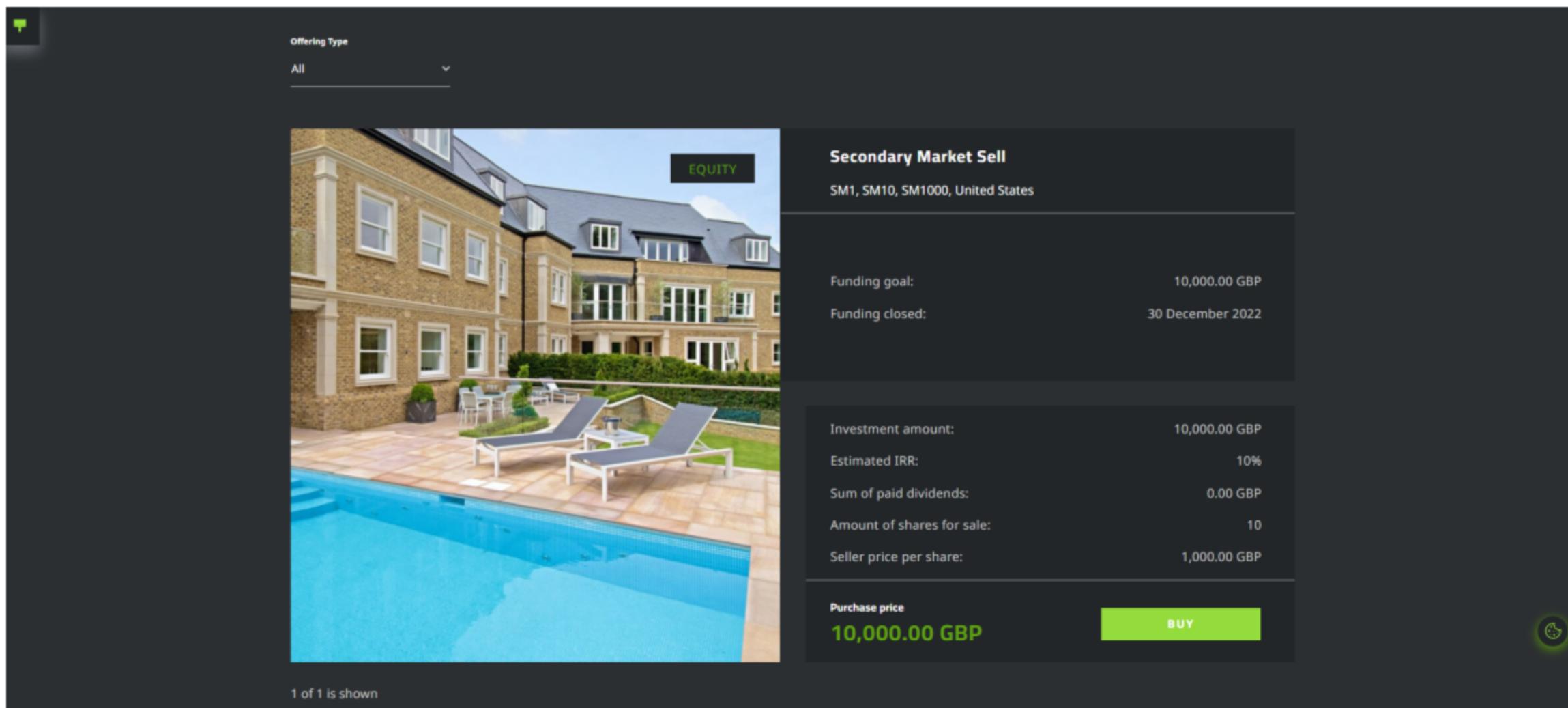
**Investors** have the option to **buy offerings' stakes** on the Secondary Market. Here's how to do it:

1. Click the **hamburger menu** in the upper-right corner of your screen and select the "**Secondary Market**" tab.



Portal: "Secondary Market" tab.

2. You'll find a list of active offerings. **Choose** the one **you want to purchase**.



The screenshot shows a listing for a Secondary Market Sell offering. The offering type is set to "All". The main image is a photograph of a large, modern brick building with a swimming pool in front. A "EQUITY" button is visible in the top right corner of the image. To the right of the image, the listing details are shown:

**Secondary Market Sell**  
SM1, SM10, SM1000, United States

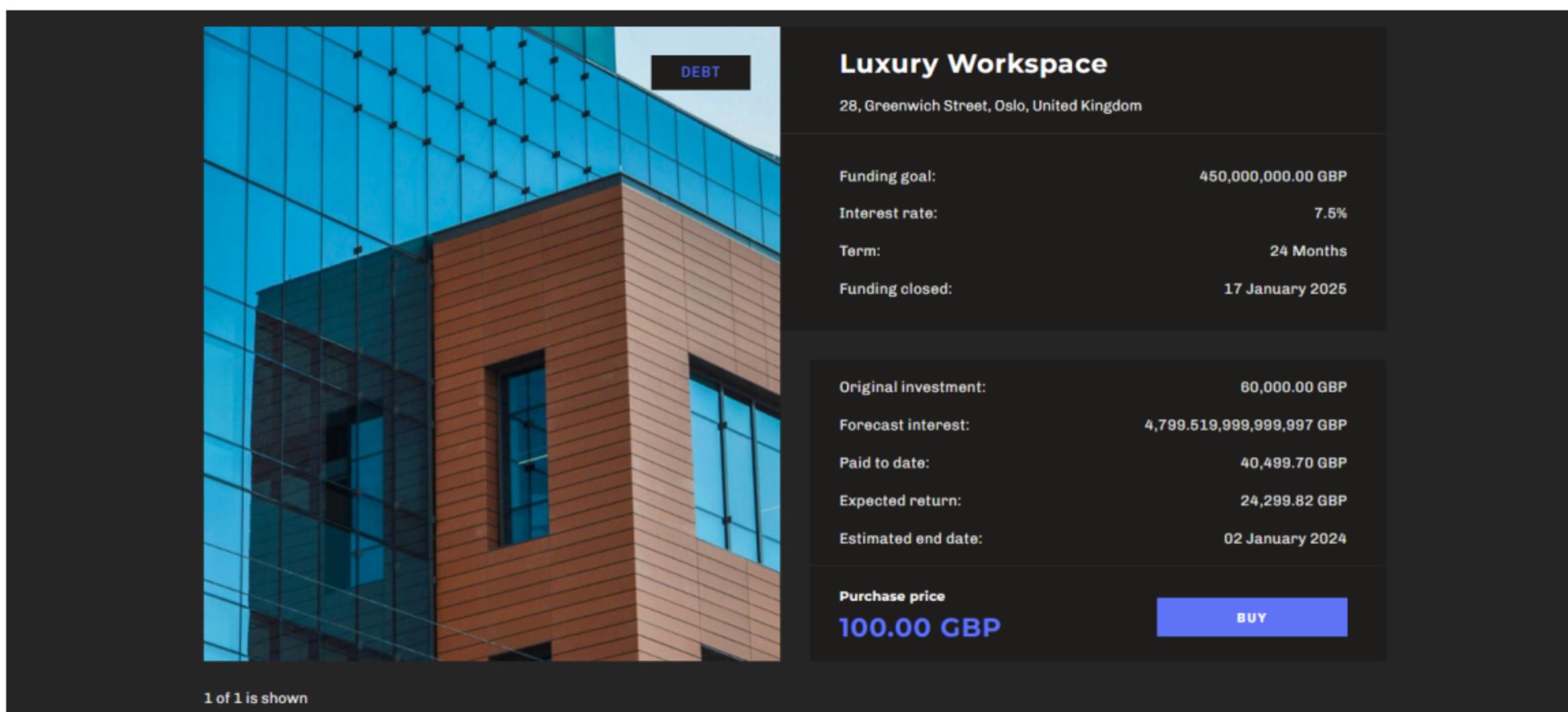
Funding goal: 10,000.00 GBP  
Funding closed: 30 December 2022

Investment amount: 10,000.00 GBP  
Estimated IRR: 10%  
Sum of paid dividends: 0.00 GBP  
Amount of shares for sale: 10  
Seller price per share: 1,000.00 GBP

Purchase price: **10,000.00 GBP** BUY

1 of 1 is shown

*Portal: SM active offering, Equity*



The screenshot shows a listing for a Luxury Workspace offering. The offering type is set to "All". The main image is a photograph of a modern building with a glass facade and brown brickwork. A "DEBT" button is visible in the top right corner of the image. To the right of the image, the listing details are shown:

**Luxury Workspace**  
28, Greenwich Street, Oslo, United Kingdom

Funding goal: 450,000,000.00 GBP  
Interest rate: 7.5%  
Term: 24 Months  
Funding closed: 17 January 2025

Original investment: 60,000.00 GBP  
Forecast interest: 4,799,519,999,999,997 GBP  
Paid to date: 40,499.70 GBP  
Expected return: 24,299.82 GBP  
Estimated end date: 02 January 2024

Purchase price: **100.00 GBP** BUY

1 of 1 is shown

*Portal: SM active offering, Debt*

3. Click the "**Buy**" button below the offering.
4. **Confirm** all the provided information.

- Once Admin confirms the payment, the purchased offering will appear in the "Investments" section.

**Secondary Market Sell** SETTLED  
SM1, SM10, SM1000, United States

100% 10,000.00 GBP / 10,000.00 GBP

Number of Shares: 10  
Price Per Share: 1,000.00 GBP

B Debt ±

Invested 19 December 2022 10,000.00 GBP

Sell

*Portal: the bought share on the SM appeared in the buyer's Investments tab*

- If you wish to sell this purchased offering on the Secondary Market, you can follow the same [procedure described earlier](#).
- Review your Transaction history.

Description (*- Secondary market)	Amount	Status	Date
Secondary market deal*	↓ 10,000.00 GBP	Paid	19 December 2022 23:00
Investment	↓ 500.00 GBP	Failed	18 November 2022 08:52
Pay-in	↑ 500,000.00 GBP	Paid	10 November 2022 15:37

*Portal: Transaction history*

**NOTE:** If a Seller is selling, let's say, 10 shares, a Buyer can only purchase this specified amount. You cannot buy, for example, 5 or 6 shares; it must be the entire 10 shares.

## Back Office management tips

Admins can efficiently manage Secondary Market Equity and Debt deals through the Back Office interface. To access these features, simply navigate to the corresponding tabs: "Crowdfunding > Equity / Debt > Secondary market". From here, administrators have the authority to update the statuses of SM deals, including:

- Changing the status from "**For sale**" to "**Cancelled**," indicating that the Admin has canceled the sale of the investment on the SM (in this case, the **investment** will be **removed from** the **SM** list).
- Changing the status from "**Processing**" to "**Completed**," signifying a successful purchase where the Seller has received their payment. The **investment** will be **removed from** the **SM** list.
- Changing the status from "**Processing**" to "**Failed**," indicating an unsuccessful purchase where the Seller did not receive payment. The **investment** will be **removed from** the **SM** list.

**NOTE:** once a status is changed to "**Completed**," "**Cancelled**," or "**Failed**," it **cannot be altered further.** **Admins can** also streamline their management tasks

by using the "**Filter**" button to sort and locate specific deals and export relevant data through the "**Export**" button.

*Back Office: Secondary market Equity deals*

*Back Office: Secondary market Debt deals*

**Admins** have the capability to **initiate** a **new Secondary Market (SM) deal** on **behalf of** an **Investor** by simply clicking the "+Add new" button in the same tab. This action triggers the appearance of a side menu where the Admin can choose an Investor from the dropdown list, select the Investment to be sold, and input the desired price per share along with the number of shares for sale.

For the convenience of the Admin, once an Investment is selected, detailed information about it becomes visible on the right-hand side. This information includes

- Investment amount
- Original price per share
- Number of shares
- Total paid dividends
- Paid dividends per share
- Recommended price per share

These details provide valuable insights for Admins when creating SM deals, ensuring they have all necessary information at their fingertips.

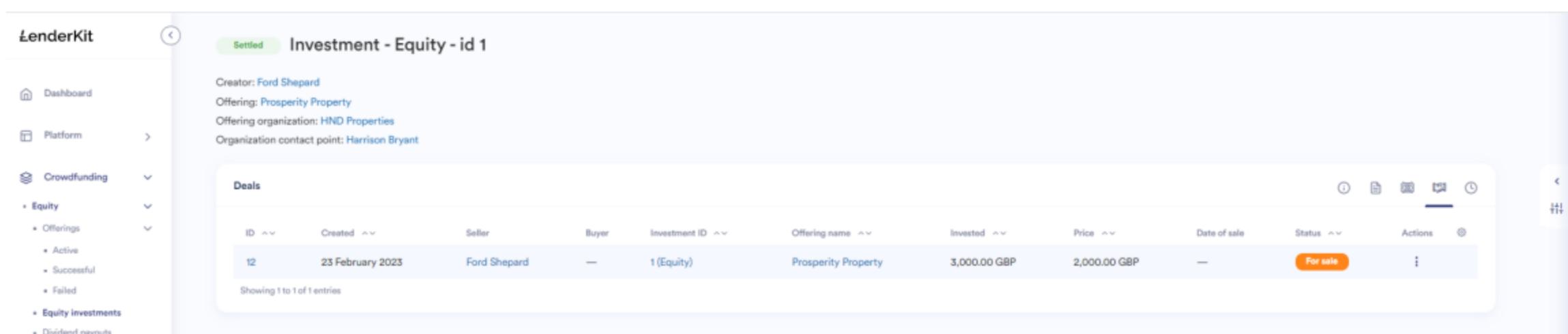
The screenshot shows a software interface for managing investments. On the left, there are input fields for 'Investment owner\*' (set to 'Ford Shepard - id 17'), 'Investment\*' (set to 'Investment - id 1 in offering Prosperity Property. Investment amount 3,000.00 GBP'), 'Price per share\*' (set to '200 GBP'), and 'Number of shares\*' (set to '10'). On the right, under 'Investment data', it displays: 'Investment amount: 3,000.00 GBP', 'Original price per share: 150.00 GBP', 'Number of shares: 20', 'Total paid dividends: 200.00 GBP', 'Paid dividends per share: 10.00 GBP', and 'Recommended price per share: 160.00 GBP'. A blue button at the bottom right says 'Add new deal'.

*Back Office: Creating a new SM deal by Admin on behalf of Investor*

After adding a new deal, it promptly appears in the relevant tab, either "**Secondary market Equity**" or "**Secondary market Debt**," on the Investor Portal

with the status "**For sale**." Additionally, this freshly created deal will be visible in the respective "Deals" tab of the Investment that has been placed for sale.

**Investors** have the option to **personally cancel** the **sale** from the Portal. Alternatively, **Admins can cancel** it as well by accessing the three dots labeled "Actions" and modifying its status to "Cancelled." This flexibility allows for easy management of the sale process.



The screenshot shows the LenderKit Back Office interface. On the left is a sidebar with navigation links: Dashboard, Platform, Crowdfunding (selected), Equity (Offerings, Active, Successful, Failed), Equity Investments (Dividend contracts), and Dividend contracts. The main area is titled 'Investment - Equity - id 1' with a status indicator 'Settled'. Below this are details: Creator: Ford Shepard, Offering: Prosperity Property, Offering organization: HND Properties, Organization contact point: Harrison Bryant. A 'Deals' table is displayed with one entry:

ID	Created	Seller	Buyer	Investment ID	Offering name	Invested	Price	Date of sale	Status	Actions
12	23 February 2023	Ford Shepard	—	1 (Equity)	Prosperity Property	3,000.00 GBP	2,000.00 GBP	—	For sale	[More]

Showing 1 to 1 of 1 entries.

*Back Office: Investment for sale in the tab "Deals" of the Investment details*